GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:399
ANSWERED ON:12.08.2016
Shell Companies
Singh Shri Raj Kumar

Will the Minister of FINANCE be pleased to state:

(a) whether there are credible reports of many Indians having set up shell companies in Panama and remitting funds to those shell companies, and if so, the details thereof and the status of investigation;

(b) whether investment in the shell companies comes under the ambit of financial fraud whereby money from companies in India is being siphoned off abroad for personal use under the guise of investment in shares and if so, the details thereof;

(c) whether the Government has plans to tighten the laws and regulations to ensure that this will not happen in future and if so, the details thereof; and

(d) the punitive action taken/being taken by the Government to prosecute those who have remitted money abroad to shell companies under false pretence?

Answer

FINANCE MINISTER
(SHRI ARUN JAITLEY)
(a) to (d): A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. *399, RAISED BY SHRI R.K. SINGH, HON'BLE MEMBER OF PARLIAMENT, FOR REPLY ON 12TH AUGUST, 2016

Information about certain offshore entities held by various Indian persons had appeared in media, earlier this year. Such information is attributed to be part of 'Panama Papers' leaks. The International Consortium of Investigative Journalists (ICIJ), a Washington based organization which has reportedly made the revelations, has put a caveat on its website (www.icij.org) by mentioning that it should not be assumed that everyone who appears in the Panama Papers is involved in tax avoidance or evasion and there are legitimate reasons to create a company in an offshore jurisdiction and many people declare them to their tax authorities when that is required.

The Government has taken necessary measures for expeditious investigation, including through enhanced international cooperation, in the cases of Indian persons allegedly having undisclosed foreign assets and whose names are reportedly included in Panama Papers leaks. A Multi-Agency Group was constituted on 4th April 2016, inter alia, for facilitating co-ordinated and speedy investigation in these cases. The Group consists of the officers of Investigation Division of the Central Board of Direct Taxes (CBDT), Foreign Tax & Tax Research Division of CBDT, Enforcement Directorate (ED), Financial Intelligence Unit (FIU) and Reserve Bank of India, and its Convener is Member (Investigation), CBDT. It has been asked to report the progress in such cases on regular basis. Further course of action under the laws dealing with direct taxes, foreign exchange regulations etc, depends upon outcome of the investigation in respective cases.

In recent years, the Government has taken several measures, both by way of policy-level initiatives as well as through more effective enforcement action on the ground, to effectively deal with the issue of black money, particularly black money stashed away abroad. These measures include enactment of a comprehensive law on black money - The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 containing stringent penal provisions. The new law has also made the offence of wilful attempt to evade tax, etc. in relation to undisclosed foreign income and assets a Scheduled Offence under the Prevention of Money-laundering Act, 2002 (PMLA). This enables attachment and confiscation of the proceeds of crime of wilful attempt to evade such tax, etc. i.e. the black money stashed abroad, eventually leading to recovery of such undisclosed foreign income and assets/black money stashed abroad. Further, where property/proceeds of crime is taken or held outside the country, PMLA has been amended through the Finance Act, 2015 enabling attachment and confiscation of property equivalent in value held within the country.